

Khâi-MA

MUNICIPALITY



FINANCIAL STATEMENTS

30 JUNE 2012

KHAI-MA MUNICIPALITY

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KHAI-MA MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

GENERAL INFORMATION

NATURE OF BUSINESS

Khai-Ma Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Khâi-MA Municipality includes the following areas:

Pofadder

Pella

Omseepkans

Witbank

Aggeneys

ACTING MUNICIPAL MANAGER

Mr.M.M. Molete

CHIEF FINANCIAL OFFICER

Mr. PJ van der Merwe

REGISTERED OFFICE

P.O. Box 108

Pofadder

8890

AUDITORS

The Auditor-General

Private Bag X5013

Kimberley

8300

PRINCIPLE BANKERS

The Standard Bank of S.A. Ltd

Pofadder Branch

P.O. Box 60

Pofadder

8890

ATTORNEYS

Van der Merwe/Miller Ing.

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)

Division of Revenue Act

The Income Tax Act

Value Added Tax Act

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no 32 of 2000)

Municipal Planning and Performance Management Regulations

Water Services Act (Act no 108 of 1997)

Housing Act (Act no 107 of 1997)

Municipal Property Rates Act (Act no 6 of 2004)

Electricity Act (Act no 41 of 1987)

Skills Development Levies Act (Act no 9 of 1999)

Employment Equity Act (Act no 55 of 1998)

Unemployment Insurance Act (Act no 30 of 1966)

Basic Conditions of Employment Act (Act no 75 of 1997)

Supply Chain Management Regulations, 2005

Collective Agreements

Infrastructure Grants

SALBC Leave Regulations

KHAI-MA MUNICIPALITY

MEMBERS OF THE KHAI-MA MUNICIPALITY

WARD

Ward 1
Ward 2
Ward 3
Ward 4
Proportional
Proportional
Proportional

COUNCILLOR

Councillor A.J. Jonas (Mayor)
Councillor H.J. Raman
Councillor P.A. van Heerden
Councillor S.T. Basson
Councillor L.H. van Rooi
Councillor S.M. Magerman
Councillor S. April

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2012, which are set out on pages 1 to 68 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2012 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mr.M.M. Molete
Acting Municipal Manager

Date

KHAI-MA MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

	Notes	2012 R (Actual)	2011 R (Restated)
NET ASSETS AND LIABILITIES			
Net Assets		54 695 110	56 853 188
Housing Development Fund	2	14 764	14 078
Revaluation Reserve		3 934 049	4 069 364
Accumulated Surplus		50 746 297	52 769 746
Non-Current Liabilities		7 535 449	6 212 419
Long-term Liabilities	3	55 044	73 942
Employee benefits	4	3 664 142	2 968 962
Non-Current Provisions	5	3 816 263	3 169 515
Current Liabilities		18 315 065	13 322 338
Consumer Deposits	6	65 901	51 049
Current Employee benefits	7	864 991	626 684
Payables from exchange transactions	8	6 837 932	5 930 066
Unspent Conditional Government Grants and Receipts	9	10 527 344	6 454 674
Current Portion of Long-term Liabilities	3	18 898	259 865
Total Net Assets and Liabilities		80 545 624	76 387 946
ASSETS			
Non-Current Assets		64 374 822	63 332 036
Property, Plant and Equipment	11	64 032 715	62 945 341
Intangible Assets	12	342 107	386 695
Current Assets		16 170 801	13 055 910
Inventory	13	2 698 826	3 155 472
Receivables from exchange transactions	14	2 068 075	1 883 806
Receivables from non-exchange transactions	15	1 461 604	1 115 737
Unpaid Conditional Government Grants and Receipts	9	69 425	255 332
Operating Lease Asset	16.01	-	-
Taxes	10	519 612	1 336 818
Cash and Cash Equivalents	17	9 353 258	5 308 745
Total Assets		80 545 624	76 387 946

KHAI-MA MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

		2012	2011 Restated - Note 32	2011 Previously Reported
	Notes	R	R	R
REVENUE				
Revenue from Non-exchange Transactions		26 145 019	31 283 675	31 283 675
Taxation Revenue		2 044 325	1 790 238	1 790 238
Property taxes	18	2 044 325	1 790 238	1 790 238
Transfer Revenue		24 083 539	29 472 002	29 472 002
Government Grants and Subsidies - Capital	19	3 193 507	8 601 270	8 601 270
Government Grants and Subsidies - Operating	19	20 604 770	20 610 350	20 610 350
Public Contributions and Donations	20	285 261	260 382	260 382
Other Revenue		17 155	21 435	21 435
Fines		17 155	21 435	21 435
Revenue from Exchange Transactions		10 975 960	9 915 588	8 133 345
Service Charges	21	9 188 535	7 506 234	5 723 992
Rental of Facilities and Equipment		129 472	118 100	118 100
Interest Earned - external investments		351 442	423 934	423 934
Interest Earned - outstanding debtors		854 399	617 326	617 326
Licences and Permits		29 353	24 265	24 265
Agency Services		110 457	104 707	104 707
Other Income	22	312 301	1 121 021	1 121 021
Total Revenue		37 120 979	41 199 263	39 417 020
EXPENDITURE				
Employee related costs	23	7 968 452	5 787 703	5 769 670
Remuneration of Councillors	24	1 586 881	1 399 009	1 399 009
Debt Impairment	25	4 249 365	3 049 349	1 575 267
Depreciation and Amortisation	27	2 092 025	1 756 278	1 756 003
Repairs and Maintenance		1 074 926	1 015 061	1 015 061
Unamortised discount - Interest		156 985	451 718	451 718
Actuarial losses		457 245	474 957	474 957
Finance Charges	28	480 697	447 516	447 516
Bulk Purchases	29	4 971 266	4 002 992	4 002 992
Contracted services		242 465	210 313	210 313
Donations		68 611	47 702	47 702
Operating Grant Expenditure	30	10 058 786	8 429 992	-
General Expenses	31	5 682 543	4 300 580	12 730 572
Loss on disposal of Property, Plant and Equipment		179 112	33 726	33 726
Impairment Loss	26	9 700	12 543	12 543
Total Expenditure		39 279 058	31 419 438	29 927 050
NET SURPLUS/(DEFICIT) FOR THE YEAR		(2 158 079)	9 779 824	9 489 970

KHAI-MA MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Housing Development Fund	Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R
Balance at 30 JUNE 2010	13 362	4 204 678	42 589 481	46 807 521
Correction of error - Note - 32.08	-	-	265 843	265 843
Restated Balance at 1 JULY 2010	13 362	4 204 678	42 855 324	47 073 364
Net Surplus/(Deficit) for the year	-	-	9 779 824	9 779 824
Transfer to Housing Development Fund	716	-	(716)	-
Offsetting of depreciation	-	(135 314)	135 314	-
Balance at 30 JUNE 2011	14 078	4 069 364	52 769 746	56 853 188
Net Surplus/(Deficit) for the year	-	-	(2 158 079)	(2 158 079)
Transfer to Housing Development Fund	686	-	(686)	-
Offsetting of depreciation	-	(135 314)	135 314	-
Balance at 30 JUNE 2012	14 764	3 934 049	50 746 297	54 695 110

KHAI-MA MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 R	2011 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other - Restated 2011		11 019 994	6 616 010
Government - Restated 2011		30 154 357	28 667 290
Interest		1 205 842	1 041 260
Payments			
Suppliers and employees		(34 139 061)	(26 799 191)
Finance charges		(480 697)	(447 516)
Cash generated by operations	33	7 760 435	9 077 853
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(3 292 667)	(9 753 844)
Purchase of Intangible Assets		(21 256)	(23 815)
Net Cash from Investing Activities		(3 313 923)	(9 777 659)
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised		-	99 990
Loans repaid		(416 850)	(581 183)
Increase/(Decrease) in Consumer Deposits		14 852	(3 399)
Net Cash from Financing Activities		(401 998)	(484 592)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		4 044 513	(1 184 398)
Cash and Cash Equivalents at the beginning of the year		5 308 745	6 493 142
Cash and Cash Equivalents at the end of the year	34	9 353 258	5 308 745
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		4 044 513	(1 184 398)

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
2	NET ASSET RESERVES		
	RESERVES	3 948 813	4 083 442
	Housing Development fund	14 764	14 078
	Revaluations Reserve	3 934 049	4 069 364
	Total Net Asset Reserve and Liabilities	3 948 813	4 083 442
3	LONG-TERM LIABILITIES		
	Annuity Loans - At amortised cost	-	399 885
	Capitalised Lease Liability - At amortised cost	73 942	90 907
		73 942	490 792
	Less: Current Portion transferred to Current Liabilities	(18 898)	(259 865)
	Annuity Loans - At amortised cost	-	(242 900)
	Capitalised Lease Liability - At amortised cost	(18 898)	(16 965)
		55 044	230 927
	Less: Unamortised charges on loans	-	(156 985)
	Balance 1 July	(156 985)	(608 703)
	Adjustment for the period	156 985	451 718
	Total Long-term Liabilities - At amortised cost using the effective interest rate method	55 044	73 942

Development Bank Loan

Annuity loans at amortised cost is calculated at 5%-14% interest rate, with first maturity date of 29 February 2012 and last maturity date of 30 June 2012. The schedule of contractual maturity analysis for Annuity Loans:

The obligations under annuity loans are scheduled below

	Minimum annuity payments
Amounts payable under annuity loans:	
Payable within one year	-
	409 612
	-
	409 612
	-
	(9 727)
Less: Future finance obligations	-
Present value of annuity obligations	399 885

The obligations under finance leases are scheduled below:

	Minimum lease payments
Amounts payable under finance leases:	
Payable within one year	25 992
Payable within two to five years	62 814
	88 806
	114 798
	(14 864)
	(23 891)
Less: Future finance obligations	-
Present value of lease obligations	90 907

The capitalised lease liability consist out of the following contracts:

<u>Supplier</u>	<u>Description of leased item</u>	<u>Effective Interest rate</u>	<u>Annual Escalation</u>	<u>Lease Term</u>	<u>Maturity Date</u>
NASHUA	MP 2851 Copier	0.893%	0%	5 Years	30/11/2016
NASHUA	MP 2000 Copier	0.918%	0%	5 Years	30/11/2016

Leases are secured by property, plant and equipment - Note 11

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	R	R
4 EMPLOYEE BENEFITS		
Post Retirement Benefits - Refer to Note 4.1	3 664 142	2 968 962
Total Non-current Employee Benefit Liabilities	3 664 142	2 968 962
<u>Post Retirement Benefits</u>		
Balance 1 July	3 073 254	2 408 727
Contribution for the year	367 115	287 831
Expenditure for the year	(104 292)	(98 261)
Actuarial Loss	457 245	474 957
Total post retirement benefits 30 June	3 793 322	3 073 254
Less: Transfer of Current Portion - Note 7	(129 180)	(104 292)
Balance 30 June	3 664 142	2 968 962
<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
Balance 1 July	3 073 254	2 408 727
Contribution for the year	367 115	287 831
Expenditure for the year	(104 292)	(98 261)
Actuarial Loss	457 245	474 957
Total employee benefits 30 June	3 793 322	3 073 254
Less: Transfer of Current Portion - Note 7	(129 180)	(104 292)
Balance 30 June	3 664 142	2 968 962
4.1 Post Retirement Benefits		
The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	11	9
In-service (employee) non-members	39	35
Continuation members (e.g. Retirees, widows, orphans)	4	4
Total Members	54	48
The liability in respect of past service has been estimated to be as follows:		
In-service members	1 852 962	1 384 537
Continuation members	1 940 360	1 688 717
Total Liability	3 793 322	3 073 254
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
	2010	2009
	R	R
Total Liability	2 408 727	2 233 884
The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:		
LA Health		
Key Health		
The Current-service Cost for the ensuing year is estimated to be R 131 462, whereas the Interest Cost for the next year is estimated to be R 291 883.		
Key actuarial assumptions used:	2012	2011
	%	%
i) Rate of interest		
Discount rate	7.83%	8.62%
Health Care Cost Inflation Rate	6.90%	7.31%
Net Effective Discount Rate	0.86%	1.22%

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

4

EMPLOYEE BENEFITS (CONTINUE)

2012
R

2011
R

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at age 63 for males and 58 for females, which then implicitly allows for expected rates of early and ill-health retirement.

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	3 793 322	3 073 254
Net liability	3 793 322	3 073 254
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	3 073 254	2 408 727
Total expenses	262 823	189 570
Current service cost	106 673	70 293
Interest Cost	260 442	217 538
Benefits Paid	(104 292)	(98 261)
Actuarial losses	457 245	474 957
Present value of fund obligation at the end of the year	3 793 322	3 073 254
Less: Transfer of Current Portion - Note 7	(129 180)	(104 292)
Balance 30 June	3 664 142	2 968 962

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	1.853	1.940	3.793	

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	+1 %	2.252	2.172	4.424	17%
Health care inflation	-1 %	1.538	1.744	3.282	-13%
Post-retirement mortality	- 1 yr	1.916	2.015	3.931	4%
Average retirement age	- 1 yr	2.010	1.940	3.950	4%
Withdrawal Rate	- 50 %	1.993	1.940	3.933	4%

4.2 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

4

EMPLOYEE BENEFITS (CONTINUE)

	2012 R	2011 R
<u>CAPE JOINT PENSION FUND</u>		
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in an sound financial position with a funding level of 98.10% (30 June 2010 - 100%). Actuarial valuations also determined that there were a shortfall in the investment return for the 30 June 2011 financial year.		
Contributions paid recognised in the Statement of Financial Performance	134 019	149 860
<u>DEFINED CONTRIBUTION FUNDS</u>		
Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.		
Contributions paid recognised in the Statement of Financial Performance		
Municipal Councillors Pension Fund	-	59 090
National fund for Municipal Workers	37 618	53 193
SAMWU National Provident Fund	430 325	416 486
	467 943	528 769

5

NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites	3 816 263	3 169 515
Total Non-current Employee Benefit Liabilities	3 816 263	3 169 515

In terms of the licensing of the landfill refuse site, the municipality will incur rehabilitation costs in future to restore the sites at the end of their useful lives, estimated to be in 2015. Provision has been made for closing- and rehabilitation costs till date. The municipality is in process to calculate the projected cost of rehabilitation in 2015.

Landfill Sites

Balance 1 July	3 169 515	2 990 109
Contribution for the year	447 690	-
Interest accrual	199 058	179 407
Balance 30 June	3 816 263	3 169 515

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

	<u>Pofadder</u>	<u>Pella</u>	<u>Witbank</u>	<u>Melkbosrand</u>	<u>Sending/Viljoen sdraai</u>
Area (m²)	56 500	10 800	40	1 600	27
Rehabilitation volume (m³)	10 000	-	-	-	-
Fence (m)	750	420	160	200	60
Cost of fence (Rand)	311 250	174 300	66 400	83 000	24 900
Site Clearance (R48/m³)	813 600	-	-	-	-
Excavations cost(R 45/m³+ Transport)	675 000	101 250	2 700	108 000	2 700
Capping (R22/m²)	147 400	33 000	-	-	-
Preliminary and general (Rand)	292 088	46 283	10 365	28 650	4 140
Fees and expenses (Rand)	268 721	42 580	9 536	26 358	3 809

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

5 NON-CURRENT PROVISIONS (CONTINUE)

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

<u>Location</u>	<u>Estimated decommission date</u>	<u>Cost of rehabilitation 2012 R</u>
Pofadder	2015	2 588 058
Pella	2015	477 412
Witbank	2015	169 001
Melkbosrand	2015	326 008
Sending/Viljoensdraai	2015	115 549
		1 471 050

6 CONSUMER DEPOSITS

	2012 R	2011 R
Water and Electricity	65 901	51 049
Total Consumer Deposits	65 901	51 049
Guarantees held in lieu of Electricity Deposits	-	-

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

Consumer deposits are paid by consumers on application for new and electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, Council utilizes the deposit as payment for the outstanding account.

7 CURRENT EMPLOYEE BENEFITS

Staff Leave	735 811	522 392
Current Portion of Post Retirement Benefits - Note 4	129 180	104 292
Total Current Employee Benefits	864 991	626 684
The movement in current employee benefits are reconciled as follows:		
<u>Staff Leave</u>		
Balance at beginning of year	522 392	467 975
Contribution to provision	274 749	178 094
Expenditure incurred	(61 331)	(123 677)
Balance at end of year	735 811	522 392

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

8 PAYABLES FROM EXCHANGE TRANSACTIONS

Payments received in advance	103 942	125 546
Retentions	527 967	901 234
Other Creditors	6 201 821	4 903 286
Balance previously reported		4 879 908
Penalty for non-payment of tv licenses - Note 32.04		5 345
Claim for remuneration not paid in respect of prior year - Note 32.04		18 033
Deposits: Other	3 900	-
Other	302	-
Total Trade Payables	6 837 932	5 930 066

Payables are being recognised net of any discounts

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary

The carrying value of payables approximates its fair value

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

9	UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS	2012 R	2011 R
	Unspent Grants	10 527 344	6 454 674
	National Government Grants	9 655 103	5 741 502
	Balance previously reported		5 660 160
	Transferred to Unpaid Grants - Note 32.01		81 343
	Provincial Government Grants	716 406	298 853
	Balance previously reported		43 521
	Transferred to Unpaid Grants - Note 32.01		255 332
	District Municipality	146 654	405 138
	Other Grant Providers	9 181	9 181
	Less: Unpaid Grants	69 425	255 332
	National Government Grants	69 425	-
	Balance previously reported		-
	Transferred from Unspent Grants - Note 32.02		81 343
	Transferred to Receivables from Non-Exchange transactions - Note 32.02		(81 343)
	Provincial Government Grants	-	255 332
	Balance previously reported		-
	Transferred from Unspent Grants - Note 32.02		255 332
	Total Conditional Grants and Receipts	10 457 919	6 199 342

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

10	TAXES		
	VAT Receivable	519 612	1 336 818
	Balance previously reported		1 341 262
	Fine and interest on late payment - SARS - Note - 32.03		(4 444)
		519 612	1 336 818

VAT is payable/receivable on the cash basis.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

11 PROPERTY, PLANT AND EQUIPMENT

See attached sheet

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
11	PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
	Assets pledged as security:		
	No assets are pledged as security for Khai-Ma Municipality		
	Impairment of property plant and equipment for the year		
	Impairment charges on Property, plant and equipment recognised in statement of financial performance		
	Land and Buildings	43 811	10 524
	Lease Assets	-	3 813
	Other	135 300	19 388
		179 112	33 726
	Details of property plant and equipment carried at fair value		
	Reconciliation of revaluation surplus:		
	Opening balance	4 069 364	4 204 678
	Movement for the period	(135 314)	(135 314)
	Closing balance	3 934 049	4 069 364
12	INTANGIBLE ASSETS		
	Computer Software		
	Net Carrying amount at 1 July	386 695	428 129
	Cost	454 851	433 668
	Accumulated Amortisation	(68 156)	(5 539)
	Acquisitions	21 256	23 815
	Impairments	-	(2 193)
	Amortisation	(65 844)	(63 056)
	Net Carrying amount at 30 June	342 107	386 695
	Cost	476 108	454 851
	Accumulated Amortisation	(134 001)	(68 156)
	No intangible asset were assessed having an indefinite useful life.		
	There are no internally generated intangible assets at reporting date.		
	There are no intangible assets whose title is restricted.		
	There are no intangible assets pledged as security for liabilities		
	There are no contractual commitments for the acquisition of intangible assets.		
13	INVENTORY		
	Housing - Inventory held for transfer	1 031 800	1 041 500
	Materials - Housing Project	1 293 656	2 082 747
	Materials - Pipes	227 823	-
	Consumable Stores	124 319	13 507
	Water - At purification cost	21 229	17 718
	Total Inventory	2 698 826	3 155 472
	No inventory assets were pledged as security for liabilities.		

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
14 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Service Receivables		
Electricity	427 580	362 793
Water	6 565 158	6 244 833
Balance previously reported		2 866 170
Reversal of IGRAP1 impact on Receivables - Note 32.06		3 378 663
Refuse	1 329 483	1 051 466
Sewerage	1 440 874	1 136 565
Recognition - Water debt	150 695	97 198
Recognition - Electricity debt	67 134	43 257
Recognition - Sewerage dept	1 408	1 069
Other Arrears	119 741	315 062
Total Service Receivables	10 102 071	9 252 243
Less: Allowance for Doubtful Debts - Restated 2011	(8 033 996)	(7 368 436)
Net Service Receivables	2 068 075	1 883 806
Total Net Receivables from Exchange Transactions	2 068 075	1 883 806
Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.		
Ageing of Receivables from Exchange Transactions		
(Electricity): Ageing		
Current (0 - 30 days)	152 542	139 167
31 - 60 Days	38 630	34 142
61 - 90 Days	31 439	26 477
+ 90 Days	204 968	163 007
Total	427 580	362 793
(Water): Ageing		
Current (0 - 30 days)	343 632	274 355
31 - 60 Days	308 562	214 424
61 - 90 Days	326 674	259 344
+ 90 Days	5 586 290	5 496 709
Total	6 565 158	6 244 833
(Refuse): Ageing		
Current (0 - 30 days)	63 296	64 226
31 - 60 Days	42 758	36 494
61 - 90 Days	40 070	39 743
+ 90 Days	1 183 358	911 003
Total	1 329 483	1 051 466
(Sewerage): Ageing		
Current (0 - 30 days)	115 825	109 047
31 - 60 Days	48 072	43 432
61 - 90 Days	42 690	42 886
+ 90 Days	1 234 287	941 200
Total	1 440 874	1 136 565
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	7 368 436	3 500 515
Contribution to provision	3 761 656	3 872 759
Balance previously reported		1 077 444
Reversal of IGRAP1 impact on provision - Note 32.06		2 795 315
Bad Debts (written off)	(3 096 096)	(4 838)
Balance at end of year	8 033 996	7 368 436

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

14 RECEIVABLES FROM EXCHANGE TRANSACTIONS

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

15 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Service Receivables

	2012 R	2011 R
Rates	1 607 825	1 275 990
Other Receivables	841 543	400 107
Balance previously reported		318 765
Transferred from Unpaid Conditional Government Grants - Note 9		81 343
Irregular, Fruitless and Wasteful Expenditure - Receivables	32 917	32 917
Suspense Accounts	67 894	56 468
Total Service Receivables	2 550 179	1 765 483
Less: Allowance for Doubtful Debts - Restated 2011	(1 088 575)	(649 746)
Net Service Receivables	1 461 604	1 115 737

Total Net Receivables from Non-Exchange Transactions

1 461 604	1 115 737
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Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

Refer to note for balances deferred beyond 12 months from year end

Ageing of Receivables from Non-Exchange Transactions:**(Rates): Ageing**

Current (0 - 30 days)	63 743	44 707
31 - 60 Days	19 029	20 544
61 - 90 Days	18 654	57 601
+ 90 Days	1 506 399	1 153 139
Total	1 607 825	1 275 990

Debts are required to be settled after 30 days, interest is charged after this date at prime +1%
The fair value of trade and other receivables approximates their carrying amounts

Reconciliation of the Total doubtful debt provisor

Balance at beginning of year	649 746	151 923
Contribution to provision	487 710	497 823
Bad Debts (written off)	(48 881)	-
Balance at end of year	1 088 575	649 746

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
16	OPERATING LEASE ARRANGEMENTS		
16.01	The Municipality as Lessor		
	Balance on 1 July	-	-
	Operating Lease Asset for the current year	-	-
	Balance on 30 June	-	-
	At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
	Up to 1 Year	72 881	80 787
	1 to 5 Years	155 703	359 521
	Total Operating Lease Arrangements	228 584	440 308
	This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.		
	The leases are in respect of land and buildings being leased out for previous ranging until 2016		
17	CASH AND CASH EQUIVALENTS		
	Assets		
	Call Investments Deposits	9 295 762	5 021 424
	Primary Bank Account	57 397	287 220
	Cash Floats	100	100
	Total Cash and Cash Equivalents - Assets	9 353 258	5 308 745
	The municipality has the following bank account:		
	Current Accounts		
	Standard Bank Limited – Pofadder Branch Account Number 04 185 0173	57 397	287 220
		57 397	287 220
	Standard Bank Limited – Pofadder Branch Account Number 04 185 0173		
	Cash book balance at beginning of year	287 220	(729 687)
	Cash book balance at end of year	57 397	287 220
	Bank statement balance at beginning of year	616 364	(640 411)
	Bank statement balance at end of year	197 307	616 364
	The Municipality has a bank overdraft facility of R700,000 R200,000 of the call account balance is pledged as security for the overdraft facility		
	Call Investment Deposits		
	Call investment deposits consist out of the following accounts:		
	Watersupply Pofadder (007)	6 750	6 750
	Municipal System Improvement Grant (007)	400 000	616 265
	Library (007)	112 106	42 727
	Housingfund (007)	14 078	13 362
	Refuse Site (007)	41 764	41 764
	LGSETA (007)	33 392	24 751
	Other Deposits	200 000	200 000
	NDFT Fencing of graveyards (007)	9 181	9 181
	Namakwa District Municipality	-	154 151
	Project Nala	-	171 892
	Build of 184 Houses (017)	448 342	-
	Municipal Infrastructure Grant (015)	7 965 831	3 676 263
	Municipal Infrastructure Grant (L-Gov) 016	64 318	64 318
		9 295 762	5 021 424

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

18	PROPERTY RATES	2012 R	2011 R
	<u>Actual</u>		
	Rateable Land and Buildings	15 962 906	8 598 835
	Residential / Commercial Property	3 238 409	3 047 914
	Agricultural Purposes	12 724 497	5 550 920
	Less: Rebates	(13 918 581)	(6 808 597)
	Total Assessment Rates	2 044 325	1 790 238
	<u>Valuations - 1 JULY 2011</u>		
	Rateable Land and Buildings	625 996 327	358 284 780
	Residential / Commercial Property	128 093 230	118 275 230
	Agricultural Purposes	488 963 197	231 069 650
	State - National / Provincial Services	8 939 900	8 939 900
	Less: Rebates	(545 826 692)	(283 691 529)
	Total Assessment Rates	80 169 635	74 593 251

The applicable rates that are applied to property valuations to determine assessment rates are as follows:- Agricultural land - 0.0009594 cents per rand, land and improvements -0.0255 cents per rand. A discount of 20% was granted to the State

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 2008.

Rates are levied monthly and payable by the end of the following month. Interest is levied at the prime rate plus 1% on outstanding monthly instalments.

19	GOVERNMENT GRANTS AND SUBSIDIES	10 921 000	9 566 229
	Unconditional Grants	10 921 000	9 566 229
	Equitable Share - Refer to Note 19.01		
	Conditional Grants	12 877 277	19 645 391
	Finance Management Grant	1 735 770	2 558 934
	Municipal Infrastructure Grant	2 331 477	7 261 361
	Municipal System Improvement Grant	409 338	124 795
	DWAF (Donorfunds)	-	23 213
	LGSETA	29 922	-
	EPWP (Expanded Public Works Program)	-	278 379
	Department of Housing and Local Government-Operating	-	160 442
	Department Sport Arts and Culture - Library Development	289 887	302 215
	COHSTRA: Project NALA	176 089	113 440
	Department of Housing and Local Government - Housing	5 754 893	7 815 540
	Housing : 12 Farm Houses	820 620	-
	Namakwa District Municipality - Capital	1 329 281	1 007 072
	Total Government Grants and Subsidies	23 798 277	29 211 620
	Government Grants and Subsidies - Capital	3 193 507	8 601 270
	Government Grants and Subsidies - Operating	20 604 770	20 610 350
		23 798 277	29 211 620

The municipality does not expect any significant changes to the level of grants. No grants had been withheld

Unspent conditional Dora, specific grants are instructed by use to conditions contain in the grant business plan where the grants are unspent or not committed such funds will be reverred back to National Treasury

19.01	Equitable share	10 921 000	9 566 229
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The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive 6kl free water and 50kwh free electricity per month, which is funded from this grant.

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

19	GOVERNMENT GRANTS AND SUBSIDIES	2012 R	2011 R
19.02	<i>Finance Management Grant</i>		
	Opening balance	424 223	628 502
	Grants received	1 250 000	3 000 000
	Conditions met - Operating	(1 679 498)	(2 438 625)
	Conditions met - Capital	(56 272)	(120 309)
	Vat recognise as income	(7 878)	(16 843)
	Repaid to NT	-	(628 502)
	Conditions still to be met/(recovered)	(69 425)	424 223
	The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		
19.03	<i>Municipal Infrastructure Grant</i>		
	Opening balance	4 676 263	6 633 471
	Grants received	8 840 000	6 301 000
	Conditions met - Operating	(99 853)	(52 000)
	Conditions met - Capital	(2 231 624)	(7 209 361)
	Vat recognise as income	(266 554)	(996 847)
	Repaid to NT	(1 673 308)	-
	Conditions still to be met	9 244 924	4 676 263
	Municipal Infrastructure grant was mainly used to construct bulkwater supply pipeline in the area.		
19.04	<i>Municipal System Improvement Grant</i>		
	Opening balance	616 265	629 941
	Grants received	790 000	750 000
	Conditions met - Operating	(381 660)	(60 935)
	Conditions met - Capital	(27 678)	(63 859)
	Vat recognise as income	(3 875)	(8 940)
	Repaid to NT	(616 265)	(629 941)
	Conditions still to be met	376 787	616 265
	The MSIG is received for support in implementing new systems as provided in the Municipal Systems Act, Municipal Structures Act and other related local government policy and legislation.		
19.05	<i>DWAF (Donorfunds)</i>		
	Opening balance	-	-
	Grants received	-	26 463
	Conditions met - Capital	-	(23 213)
	Vat recognise as income	-	(3 250)
	Conditions still to be met	-	-
	Grant received from Provincial Government to improve the testing of water qauality.		
19.06	<i>LGSETA</i>		
	Opening balance	24 751	24 751
	Grants received	38 563	-
	Conditions met - Operating	(29 922)	-
	Conditions still to be met	33 392	24 751
	LGSETA Grant was used for training to expand the knowledge and competencies of the labour force resulting in improvements in employability and productivity.		

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

19	GOVERNMENT GRANTS AND SUBSIDIES	2012 R	2011 R
19.07	<i>EPWP (Expanded Public Works Program)</i>		
	Opening balance	-	-
	Grants received	-	197 036
	Conditions met - Operating	-	(263 871)
	Conditions met - Capital	-	(14 508)
	Grants write-offs	-	81 343
	Conditions still to be met - Restated 2011	-	-
		<hr/>	<hr/>
	This program is aimed at providing poverty and income relief through the creation of temporary work opportunities.		
19.08	<i>Department of Housing and Local Government-Operating</i>		
	Opening balance	64 318	244 425
	Conditions met - Capital	-	(160 442)
	Vat recognise as income	-	(19 664)
	Conditions still to be met	<hr/> 64 318 <hr/>	<hr/> 64 318 <hr/>
	Grant received from Provincial Government for housing projects.		
19.09	<i>Department Sport Arts and Culture - Library Development</i>		
	Opening balance	9 931	159 724
	Grants received	416 000	320 000
	Conditions met - Operating	(262 756)	(206 959)
	Conditions met - Capital	(27 132)	(95 257)
	Vat recognise as income	(1 239)	(7 854)
	Repaid to NT	-	(159 724)
	Conditions still to be met	<hr/> 134 805 <hr/>	<hr/> 9 931 <hr/>
	The grant was received for the upkeep and operational cost for libraries.		
19.10	<i>Provincial Infrastructure Grant</i>		
	Opening balance	6 750	6 750
	Conditions still to be met	<hr/> 6 750 <hr/>	<hr/> 6 750 <hr/>
	Grant received from Provincial Government for infrastructure projects.		
19.11	<i>COHSTRA: Project PULA NALA</i>		
	Opening balance	176 089	-
	Grants received	-	300 000
	Conditions met - Operating	(176 089)	(7 390)
	Conditions met - Capital	-	(106 050)
	Vat recognise as income	-	(10 471)
	Conditions still to be met	<hr/> - <hr/>	<hr/> 176 089 <hr/>
	Grant received from Provincial Government for the creation of jobs.		
19.12	<i>Department Environmental Affairs and Conservation</i>		
	Opening balance	41 764	41 764
	Conditions still to be met	<hr/> 41 764 <hr/>	<hr/> 41 764 <hr/>
	Grant is received for environmental protection and improvement in the area.		

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

19	GOVERNMENT GRANTS AND SUBSIDIES	2012 R	2011 R
19.13	<i>Department of Housing and Local Government - Housing</i>		
	Opening balance	(255 332)	5 115
	Grants received	6 478 994	7 555 093
	Conditions met - Operating	(5 754 893)	(7 815 540)
	Conditions still to be met/(recovered)	468 769	(255 332)
	Grant received from Provincial Government for housing projects.		
19.14	<i>Housing : 12 Farm Houses</i>		
	Opening balance	-	-
	Grants received	820 620	-
	Conditions met - Operating	(820 620)	-
	Conditions still to be met/(recovered)	-	-
	Grant received from Provincial Government for housing projects.		
19.15	<i>Namakwa District Municipality - Capital</i>		
	Opening balance	405 138	510 741
	Grants received	599 180	651 469
	Conditions met - Operating	(524 892)	(198 801)
	Conditions met - Capital	(804 389)	(808 271)
	Transferred to trade receivables	471 617	250 000
	Conditions still to be met	146 654	405 138
	Grant is used for various projects including the rehabilitation Landfill sites.		
19.16	<i>Namakwa Diamond Fund Trust</i>		
	Opening balance	9 181	9 181
	Conditions still to be met	9 181	9 181
	Grant is received for fencing for grave yards.		
20	PUBLIC CONTRIBUTIONS AND DONATIONS		
	Black Mountain	274 699	260 382
	BVI Consulting Engineers	10 562	-
	Total Public Contributions and Donations	285 261	260 382
21	SERVICE CHARGES		
	Electricity	3 939 680	3 341 144
	Service Charges	4 337 298	3 674 920
	<u>Less:</u> Rebates	(397 618)	(333 776)
	Water	4 137 475	3 135 945
	Service Charges - Restated 2011	5 741 684	6 301 256
	<u>Less:</u> Rebates	(1 604 209)	(3 165 311)
	Refuse removal	473 998	422 216
	Service Charges	1 675 699	1 503 817
	<u>Less:</u> Rebates	(1 201 701)	(1 081 602)
	Sewerage	637 382	606 930
	Service Charges	1 799 016	1 655 958
	<u>Less:</u> Rebates	(1 161 634)	(1 049 028)
	Other Service Charges	-	-
	Total Service Charges	9 188 535	7 506 234

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
22	OTHER INCOME		
	Sundry Income	283 576	1 096 867
	Building Plan Fees	908	252
	Commissions	4 668	3 270
	Graves and Cemeteries	7 500	-
	Valuation Certificates	695	1 646
	Photocopies	742	1 412
	Sale of sand	8 997	11 412
	Sale of erven	824	2 284
	Swimming Pool	4 391	3 878
	Total Other Income	312 301	1 121 021
23	EMPLOYEE RELATED COSTS		
	Employee related costs - Salaries and Wages	5 628 394	4 045 455
	Employee related costs - Contributions for UIF, pensions and medical aids	862 758	663 596
	Travel, motor car, telephone, assistance and other allowances	327 102	290 612
	Bonuses	278 184	228 129
	Housing Benefits and Allowances	15 801	16 395
	Leave Reserve Fund	274 749	178 094
	Overtime Payments	579 083	393 391
	Contribution to provision - Post Retirement Medical - Note 4	2 381	(27 968)
	Total Employee Related Costs - Restated 2011	7 968 452	5 787 703
	KEY MANAGEMENT PERSONNEL		
	Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.		
	REMUNERATION OF KEY MANAGEMENT PERSONNEL		
	<i>Remuneration of the Municipal Manager - Mr. IF Januarie</i>		
	Annual Remuneration	480 000	240 000
	Housing benefits and other allowances	8 000	4 000
	Contributions to UIF, Medical and Pension Funds	998	499
	Total	488 998	244 499
	<i>Remuneration of the Chief Finance Officer - Mr. PJ van der Merwe</i>		
	Annual Remuneration	237 631	225 085
	Bonus	19 898	18 757
	Leave Pay	-	54 921
	Car Allowance	105 925	94 482
	Housing benefits and other allowances	5 683	5 683
	Contributions to UIF, Medical and Pension Funds	80 856	72 398
	Total	449 993	471 326
24	REMUNERATION OF COUNCILLORS		
	Mayor	396 072	349 782
	Councillors	712 405	632 447
	Travelling Allowances.	389 076	335 770
	Cell Phone Allowances	89 328	81 010
	Total Councillors' Remuneration	1 586 881	1 399 009
	In-kind Benefits		
	The Executive Mayor, Executive Deputy Mayor, Speaker and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.		
	Certification by the Municipal Manager		
	I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.		
		
	Signed: Municipal Manager		

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
25	DEBT IMPAIRMENT		
	Receivables from exchange transactions - Note 14	3 761 656	2 551 526
	Receivables from non-exchange transactions - Note 15	487 710	497 823
	Debt impairment recognised in statement of financial performance	4 249 365	3 049 349
26	IMPAIRMENT LOSS		
	Intangible Assets	-	2 193
	Inventory	9 700	10 350
		9 700	12 543
27	DEPRECIATION AND AMORTISATION		
	Property Plant and Equipment - Restated 2011	1 534 089	1 312 448
	Intangible Assets	65 844	63 056
	Landfill Site	492 092	380 773
		2 092 025	1 756 278
28	FINANCE CHARGES		
	Annuity Loans	12 170	44 328
	Capitalised Lease Liability	9 027	-
	Employee Benefits	260 442	217 538
	Rehabilitation of Landfil Sites	199 058	179 407
	Overdraft Facilities	-	6 244
	Total finance charges	480 697	447 516
29	BULK PURCHASES		
	Electricity	3 322 283	2 666 292
	Water	1 648 982	1 336 700
	Total Bulk Purchases	4 971 266	4 002 992
30	OPERATING GRANT EXPENDITURE		
	Namakwa District Municipality	525 092	216 252
	DWAF	-	1 190
	Municipal Infrastructure Grant	481 513	112 935
	Finance Management Grant	1 478 997	1 793 426
	EPWP (Expanded Public Works Program)	-	263 871
	COHSTRA: Project NALA	-	7 390
	Provincial Grant Expenditure	262 756	206 959
	Housing Projects	7 310 429	5 827 969
	Total Operating Grant Expenditure - Restated 2011	10 058 786	8 429 992

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

31	GENERAL EXPENSES	2012 R	2011 R
	Advertisements	82 734	26 434
	Audit Fees	1 077 039	899 692
	Bank Charges	124 747	97 595
	Cleansing	18 152	13 710
	Commission - sale of electricity	35 583	29 810
	Electricity	807 756	625 410
	Fuel Vehicles	447 035	449 885
	Insurance	433 678	354 907
	Legal Fees	22 360	63 689
	Materials	171 809	77 789
	Membership Fees	212 763	107 711
	Postage and Telephone	329 348	302 653
	Printing and Stationary	123 268	127 465
	Travel Expenses	957 110	478 394
	Uniforms and Protective Clothing	30 097	20 915
	Other	809 065	624 522
	General Expenses - Restated 2011	5 682 543	4 300 580

General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as telecommunications, travelling, legal fees, auditing fees and consulting fees.

32 CORRECTION OF ERROR IN TERMS OF GRAP 3

Certain errors were detected wich relates to prior years and were restated retrospectivly. The effects of these restatements are listed below.

		2011 R
32.01	Unspent Conditional Government Grants and Receipts	
	Balance previously reported	6 117 999
	Transferred to Unpaid Grants - Note 32.02	336 675
	Total	6 454 674
32.02	Unpaid Conditional Government Grants and Receipts	
	Balance previously reported	-
	Transferred from Unspent Grants - Note 32.01	336 675
	Transferred to Receivables from Non-Exchange transactions - Note 32.07	(81 343)
	Total	255 332
32.03	Taxes	
	Balance previously reported	1 341 262
	Fine and interest on late payment - SARS - Note - 32.08	(4 444)
	Total	1 336 818
32.04	Payables from exchange transactions	
	Balance previously reported	5 906 688
	Penalty for non-payment of tv licenses - Note 32.08	5 345
	Claim for remuneration not paid in respect of prior year - Note 32.09	18 033
	Total	5 930 066
32.05	Property, Plant and Equipment	
	Balance previously reported	62 945 169
	First time regocnition of Property, Plant and Equipment - 1 July 2010 - Note 32.08	1 736
	Correction of Backlog Depreciation on Property Plant and Equipment - 1 July 2010 - Note 32.08	(1 291)
	Correction of Depreciation on Property Plant and Equipment - 2010/2011 - Note 32.09	(274)
	Total	62 945 341

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

32	CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUE)	2011	
		R	
32.06	Receivables from Exchange transactions		
	Balance previously reported		1 300 459
	Reversal of IGRAP1 impact on provision for 1 July 2010 - Note 32.08		1 321 233
	Reversal of IGRAP1 impact on provision for 2010/2011 - Note 32.09		1 474 082
	Transfer of balance to Provision for Debt Impairment - 1 July 2010 - Note 32.08		(1 596 420)
	Transfer of balance to Provision for Debt Impairment - 2010/2011 - Note 32.09		(1 782 243)
	Total		717 111
32.07	Receivables from Non-Exchange transactions		
	Balance previously reported		1 034 394
	Transferred from Unpaid Conditional Government Grants and Receipts - Note 32.02		81 343
	Total		1 115 737
32.08	Accumulated Surplus/(Deficit)		
	First time recognition of Property, Plant and Equipment - 1 July 2010 - Note 32.05		1 736
	Correction of Backlog Depreciation on Property Plant and Equipment - 1 July 2010 - Note 32.05		(1 291)
	Reversal of IGRAP1 impact on provision for 1 July 2010 - Note 32.05		1 596 420
	Transfer of balance to Provision for Debt Impairment - 1 July 2010 - Note 32.05		(1 321 233)
	Fine and interest on late payment - SARS - Note - 32.03		(4 444)
	Penalty for non-payment of tv licenses - Note 32.04		(5 345)
	Total		265 843
32.09	Statement of Financial Performance		
	Balance previously reported		9 489 970
	Correction of Depreciation on Property Plant and Equipment - 2010/2011 - Note 32.05		(274)
	Reversal of IGRAP1 impact on provision for 2010/2011 (Impact on Service Charges) - Note 32.06		1 782 243
	Transfer of balance to Provision for Debt Impairment - 2010/2011 - Note 32.06		(1 474 082)
	Claim for remuneration not paid in respect of prior year - Note 32.04		(18 033)
	Total		9 779 824
		2012	2011
		R	R
33	RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
	Surplus for the year	(2 158 079)	9 779 824
	Adjustments for:		
	Depreciation	2 092 025	1 756 278
	Loss on disposal of property, plant and equipment	179 112	33 726
	Grants Received - Restated 2011	30 154 357	28 667 290
	Grant recognised as revenue - Restated 2011	(23 798 277)	(29 211 620)
	Vat on Grants recognised as revenue - Restated 2011	(279 546)	(1 063 868)
	Grants repaid to National Treasury - Restated 2011	(2 289 573)	(1 418 167)
	Grants transferred to Trade Receivables - Restated 2011	471 617	331 343
	Impairments	-	12 543
	Contribution from/to employee benefits - non-current	367 115	287 831
	Contribution from/to employee benefits - non-current - expenditure incurred	(104 292)	(98 261)
	Contribution from/to employee benefits - non-current - actuarial losses	457 245	474 957
	Contribution to employee benefits – current	274 749	178 094
	Contribution to employee benefits – current - expenditure incurred	(61 331)	(123 677)
	Contribution from/to provisions - Non-Current	646 748	179 407
	Contribution to provisions – bad debt	4 249 365	3 049 349
	Bad Debt Written off	(3 144 977)	(4 838)
	Unamortised discount - Interest - Expenditure	156 985	451 718
	Operating Surplus/(Deficit) before changes in working capital	7 213 243	13 281 928
	Changes in working capital	547 192	(4 204 075)
	Increase in Payables for Exchange Transactions	907 866	1 623 073
	Increase/(Decrease) in Taxes	817 205	(938 348)
	(Increase)/Decrease in Inventory	456 646	(2 085 687)
	(Increase)/Decrease in Receivables from exchange transactions	(849 829)	(2 896 779)
	(Increase)/Decrease in Receivables from Non-exchange transactions	(784 696)	93 666
	Cash generated/(absorbed) by operations	7 760 435	9 077 853

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

34	CASH AND CASH EQUIVALENTS	2012 R	2011 R		
	Cash and cash equivalents included in the cash flow statement comprise the following:				
	Call Investments Deposits - Note 17	9 295 762	5 021 424		
	Cash Floats - Note 17	100	100		
	Bank - Note 17	57 397	287 220		
	Total cash and cash equivalents	9 353 258	5 308 745		
35	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES				
	Cash and Cash Equivalents - Note 34	9 353 258	5 308 745		
	Less:	9 353 258	5 308 745		
		10 542 107	6 468 752		
	Unspent Committed Conditional Grants - Note 9	10 527 344	6 454 674		
	Cash Portion of Housing Development Fund - Note 2	14 764	14 078		
	Resources available for Woking capital requirements	(1 188 849)	(1 160 007)		
36	UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION				
	Long-term Liabilities - Note 3	73 942	490 792		
	Used to finance property, plant and equipment - at cost	(73 942)	(490 792)		
	Cash invested for repayment of long-term liabilities	-	-		
	Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of between 6.75 % and 8.92 % and will be repaid by 2030.				
37	BUDGET COMPARISONS	2012 R	2012 R	2012 R	2012 R
37.1	Operational	(Actual)	(Budget)	(Variance)	(%)
	Revenue by source				
	Property taxes	2 044 325	1 541 913	502 412	33%
	Government Grants and Subsidies - Capital	3 193 507	10 427 000	(7 233 493)	-69%
	Government Grants and Subsidies - Operating	20 604 770	26 619 850	(6 015 080)	-23%
	Public Contributions and Donations	285 261	246 390	38 871	16%
	Fines	17 155	20 000	(2 845)	-14%
	Service Charges	9 188 535	9 201 767	(13 232)	0%
	Rental of Facilities and Equipment	129 472	92 500	36 972	40%
	Interest Earned - external investments	351 442	300 000	51 442	17%
	Interest Earned - outstanding debtors	854 399	812 840	41 559	5%
	Licences and Permits	29 353	30 200	(847)	-3%
	Agency Services	110 457	100 000	10 457	10%
	Other Income	312 301	352 800	(40 499)	-11%
		37 120 979	49 745 260	(12 624 281)	-25%
	Expenditure by nature				
	Employee related costs	(7 968 452)	(7 280 330)	(688 122)	9%
	Remuneration of Councillors	(1 586 881)	(1 648 190)	61 309	-4%
	Debt Impairment	(4 249 365)	(1 695 000)	(2 554 365)	151%
	Depreciation and Amortisation	(2 092 025)	(1 841 290)	(250 735)	14%
	Repairs and Maintenance	(1 074 926)	(1 212 000)	137 074	-11%
	Unamortised discount - Interest	(156 985)	(157 000)	15	0%
	Actuarial losses	(457 245)	-	(457 245)	100%
	Finance Charges	(480 697)	(464 540)	(16 157)	3%
	Bulk Purchases	(4 971 266)	(4 745 000)	(226 266)	5%
	Contracted services	(242 465)	(249 500)	7 035	-3%
	Donations	(68 611)	(75 000)	6 389	-9%
	Operating Grant Expenditure	(10 058 786)	(15 546 450)	5 487 664	-35%
	General Expenses	(5 682 543)	(5 360 870)	(321 673)	6%
	Loss on disposal of Property,Plant and Equipment	(179 112)	-	(179 112)	100%
	Impairment Loss	(9 700)	-	(9 700)	100%
		(39 279 058)	(40 275 170)	996 112	-2%
	Net Surplus for the year	(2 158 079)	9 470 090	(11 628 169)	-123%

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

37

BUDGET COMPARISONS (CONTINUE)

Details of material variances

Property taxes
Government Grants and Subsidies - Capital
Government Grants and Subsidies - Operating
Public Contributions and Donations
Fines
Rental of Facilities and Equipment
Interest Earned - external investments
Other Income

Debt Impairment
Depreciation and Amortisation
Repairs and Maintenance
Actuarial losses
Operating Grant Expenditure
Loss on disposal of Property, Plant and Equipment
Impairment Loss

33% Demarcation- received more farm properties
-69% MIG projects starting late
-23% Housing project not completed
16% More grants received
-14% Less fines received
40% More agreements entered into
17% Investement of grants
-11% Less other income received

151% Provision increase due to the none payment of service
14% Pofadder bulkwater supply completed- depreciation starting during the year
-11% Saving on the repairment of municipal buildings
100% Due to the implementation of Task grading
-35% Housing project not completed
100% Obsolete assets written off
100% Stands transferred to housing project - beneficiaries

	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
37.2 Expenditure by Vote				
Executive & Council	3 287 998	3 401 020	(113 022)	-3%
Budget & Treasury Office	7 587 076	6 578 970	1 008 106	15%
Planning & Development	294 387	366 140	(71 753)	-20%
Community & Social Services	2 701 948	2 617 790	84 158	3%
Housing	7 310 429	11 592 620	(4 282 191)	-37%
Public Safety	32 835	72 500	(39 665)	-55%
Sport & Recreation	291 675	316 530	(24 855)	-8%
Waste Management	3 140 472	2 894 830	245 642	8%
Waste Water Management	1 970 325	1 639 040	331 285	20%
Road Transport	751 467	1 205 090	(453 623)	-38%
Water	7 200 489	5 019 740	2 180 749	43%
Electricity	4 450 143	4 190 900	259 243	6%
Other	259 814	380 000	(120 186)	-32%
Expenditure for the year	39 279 058	40 275 170	(996 112)	-2%

Details of material variances

Budget & Treasury Office
Planning & Development
Housing
Public Safety
Waste Water Management
Road Transport
Water
Other

15% Due to implementation of TASK grading
-20% LED Officer was not appointed
-37% Due to procurement of goods
-55% No projects launched
20% Due to implemetation of TASK grading
-38% Project of grading of roads stopped
43% Due to implemetation of TASK grading
-32% Free basic electricity expenditure less than budgetec

	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
37.3 Capital expenditure by vote				
Executive & Council	192 340	305 000	(112 660)	-37%
Community & Social Services	773 930	3 793 510	(3 019 580)	-80%
Waste Management	486 950	200 000	286 950	143%
Waste Water Management	28 448	46 000	(17 552)	-38%
Road Transport	389 329	476 000	(86 671)	-18%
Water	1 442 926	5 944 980	(4 502 054)	-76%
	3 313 923	10 765 490	(7 451 567)	-61%

Details of material variances

Executive & Council
Community & Social Services
Waste Management
Waste Water Management
Road Transport
Water

-37% Not all budgeted item are pruchased
-80% MIG projects starting late during the financial year
143% Rehabilitation of landfill sites started late
-38% MIG projects currently not yet registered
-18% MIG projects currently not yet registered
-76% MIG projects currently not yet registered

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

38

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

2012
R

2011
R

38.1

Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance

Unauthorised expenditure current year

Approved by Council or condoned

Grants utilised for Operating purposes - Note 35

Unauthorised expenditure awaiting authorisation - Restated 2011

1 369 682

2 651 419

4 109 182

209 674

286 950

(2 651 419)

1 188 849

1 160 007

6 954 664

1 369 682

Incident

Disciplinary steps/criminal proceedings

Over expenditure on votes

Grants utilised for Operating Purposes

38.2

Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance

Condoned or written off by Council

Fruitless and wasteful expenditure awaiting condonement

-

811 486

-

(811 486)

-

-

Incident

Disciplinary steps/criminal proceedings

None for 2011/2012 financial year

38.3

Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance

Irregular expenditure current year

Condonement supported by council

Irregular expenditure awaiting further action

7 265 251

18 727 815

-

7 265 251

-

(18 727 815)

7 265 251

7 265 251

Irregular expenditure awaiting condonement from National Treasury

7 265 251

25 993 066

Incident

Disciplinary steps/criminal proceedings

Payment made to employee, without renewal of contract - R231 706

To be investigated

Unspent grants of R1,424,233 was not cash-backed on 30 June 2011. These grants was used to finance operating expenditure. The funds were paid back and invested during July 2011.

Funds were paid back and invested during July 2011.

Appointment of supplier by former Accounting Officer without following supply chain management procedures - R5 609 311

Under investigation

-

231 706

-

1 424 233

-

5 609 311

-

7 265 250

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

38.4

Material Losses

The following material distribution losses incurred during the year

Water (%)

Water (Rand Value)

Electricity (%)

Electricity (Rand Value)

15.00

16.00

830 559

617 895

12.00

13.00

555 703

573 447

The municipality provides water services to indigent consumers. Consumptions used by indigent consumers are more than the free 6kl water they received. No action was taken to recover the additional consumptions from indigent consumers and based on history, outstanding amounts are not paid by indigent consumers. The cost to provide these services amounts to:

944 975

743 744

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

39	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	2012 R	2011 R
39.1	<u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u>		
	Opening balance	-	-
	Council subscriptions	200 000	107 710
	Amount paid - current year	(200 000)	(107 710)
	Balance unpaid (included in creditors)	-	-
39.2	<u>Audit fees - [MFMA 125 (1)(b)]</u>		
	Opening balance	2 131 305	1 401 530
	Current year audit fee	-	999 809
	Amount paid - current year	(452 106)	(270 034)
	Amount paid - previous year	1 227 824	-
	Balance unpaid (included in creditors)	2 907 023	2 131 305
39.3	<u>VAT - [MFMA 125 (1)(b)]</u>		
	Opening balance	1 341 262	402 914
	Amounts received - current year	(2 312 706)	(1 506 686)
	Amounts claimed - current year (payable)	1 491 056	2 445 034
	Closing balance Cr/(Dt)	519 612	1 341 262
	VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.		
39.4	<u>PAYE, SDL and UIF - [MFMA 125 (1)(b)]</u>		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	1 434 844	950 683
	Amount paid - current year	(1 434 844)	(950 683)
	Balance unpaid	-	-
39.5	<u>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</u>		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	1 321 442	1 013 012
	Amount paid - current year	(1 319 798)	(1 013 012)
	Balance unpaid (included in creditors)	1 644	-
39.6	<u>Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]</u>		
	The following Councillors had arrear accounts for more than 90 days as at 30 June 2012		
		Outstanding more than 90 days	Outstanding more than 90 days
	Councillor S. Magerman	1 451	3 596
	Councillor A.J. Jonas	-	2 993
	Councillor L.H. van Rooi	2 355	4 275
	Councillor S. Basson	-	6 683
	Councillor S. April	-	7 775
	Refer to Note 47.1 for outstanding accounts at year-end for Councillors		
	The following Councillors had arrear accounts for more than 90 days during the financial year. These accounts were however settled before year-end		
		Outstanding more than 90 days	Outstanding more than 90 days
	Councillor S. April	2 635	-
	Total Councillor Arrear Consumer Accounts	2 635	-

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

39 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUE)

39.7 Non-compliance with Chapter 14 of the Municipal Finance Management Act

No non-compliance to the Supply Chain Management Regulations were identified during the 2011/2012 financial year.

40 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:

Infrastructure

Total

This expenditure will be financed from:

Government Grants

2012
R2011
R

- 6 876 001

-	6 876 001
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-	6 876 001
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-	6 876 001
---	-----------

-	6 876 001
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41 FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

The Municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

This risk is managed on an ongoing basis.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

0.5% (2011 - 0.5%) Increase in interest rates	46 396	24 874
0.5% (2011 - 0.5%) Decrease in interest rates	(46 396)	(24 874)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

41

FINANCIAL RISK MANAGEMENT (CONTINUE)

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

All rates and services are payable within 30 days from invoice date. Refer to note 14 and 15 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 14 and 15 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows

	2012 %	2012 R	2011 %	2011 R
<u>Non-Exchange Receivables</u>				
Rates	100.00%	1 088 575	100.00%	649 746
<u>Exchange Receivables</u>				
Service Debtors	100.00%	8 033 996	100.00%	7 368 436
	2012 %	2012 R	2011 %	2011 R
Bad debts written off per debtor class:				
<u>Non-Exchange Receivables</u>				
Rates	100.00%	48 881	100.00%	-
<u>Exchange Receivables</u>				
Service Debtors	100.00%	3 096 096	100.00%	4 838

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only enters into non-current investment transactions with major banks with high quality credit standing. Investments to the value of R 200,000 were held as security for the overdraft facility at Standard Bank. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are listed on the JSE (Standard Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

41

FINANCIAL RISK MANAGEMENT (CONTINUE)

Financial assets exposed to credit risk at year end are as follows

	2012 R	2011 R
Receivables from exchange transactions	2 068 075	1 883 806
Receivables from non-exchange transactions	909 437	456 575
Cash and Cash Equivalents	9 353 258	5 308 745
Unpaid conditional grants and subsidies	69 425	255 332
	<u>12 400 195</u>	<u>7 904 459</u>

(e) Liquidity Risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities.

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2012				
Long Term liabilities - Finance Leases	25 992	62 814	-	-
Capital repayments	18 898	55 044	-	-
Interest	7 094	7 770	-	-
Provisions - Landfill Sites	-	3 816 263	-	-
Trade and Other Payables	6 837 932	-	-	-
Unspent conditional government grants and receipts	10 527 344	-	-	-
	<u>17 391 268</u>	<u>3 879 077</u>	<u>-</u>	<u>-</u>
2011				
Long Term liabilities	409 612	-	-	-
Capital repayments	399 885	-	-	-
Interest	9 727	-	-	-
Long Term liabilities - Finance Leases	25 992	88 806	-	-
Capital repayments	16 965	73 942	-	-
Interest	9 027	14 864	-	-
Provisions - Landfill Sites	-	3 169 515	-	-
Trade and Other Payables	5 930 066	-	-	-
Unspent conditional government grants and receipts	6 454 674	-	-	-
	<u>12 820 344</u>	<u>3 169 515</u>	<u>-</u>	<u>-</u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

42 FINANCIAL INSTRUMENTS

In accordance with GRAP 104 the financial assets of the municipality are classified as follows:

The fair value of financial instruments approximates the amortised costs as reflected below.

42.1	Financial Assets	Classification	2012 R	2011 R
	Receivables			
	Receivables from exchange transactions	Financial instruments at amortised cost	2 068 075	1 883 806
	Receivables from non-exchange transactions	Financial instruments at amortised cost	909 437	456 575
	Other Receivables			
	Government Subsidies and Grants	Financial instruments at amortised cost	69 425	255 332
	Short-term Investment Deposits			
	Call Deposits	Financial instruments at amortised cost	9 295 762	5 021 424
	Bank Balances and Cash			
	Bank Balances	Financial instruments at amortised cost	57 397	287 220
	Cash Floats and Advances	Financial instruments at amortised cost	100	100
			12 400 195	7 904 459
	SUMMARY OF FINANCIAL ASSETS			
	Financial instruments at amortised cost		12 400 195	7 904 459

42.2	Financial Liability	Classification		
	Long-term Liabilities			
	Capitalised Lease Liability	Financial instruments at amortised cost	55 044	73 942
	Payables from exchange transactions			
	Payables from exchange transactions	Financial instruments at amortised cost	6 837 932	5 930 066
	Other Payables			
	Government Subsidies and Grants	Financial instruments at amortised cost	10 527 344	6 454 674
	Current Portion of Long-term Liabilities			
	Capitalised Lease Liability	Financial instruments at amortised cost	18 898	259 865
			17 439 218	12 718 547
	SUMMARY OF FINANCIAL LIABILITY			
	Financial instruments at amortised cost		17 439 218	12 718 547

43 EVENTS AFTER THE REPORTING DATE

The Municipality did not have any material events after reporting date.

44 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind donations or assistance during the year under review.

45 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

46 CONTINGENT LIABILITY

Council have the following contingent liabilities at the end of the financial year 2011/12

The municipality does not have a permit or license for any of the landfill sites currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

47 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

47.1 Related Party Transactions

	Rates - Levied 1 Jul 11 - 30 Jun 12	Service Charges - Levied 1 Jul 11 - 30 Jun 12	Outstanding Balances 30 June 2012
Year ended 30 JUNE 2012			
Councillors	2 581	29 218	9 922
Councillor S. Magerman	-	5 874	3 770
Councillor A.J. Jonas	-	2 552	215
Councillor L.H. van Rooi	-	3 633	3 608
Councillor S. Basson	1 879	3 819	316
Councillor S. April	689	6 110	864
Councillor P.A. van Heerden	-	3 677	863
Councillor H.J. Raman	13	3 553	286
Municipal Manager and Section 57 Employees	-	-	-
I.F. Januarie	-	-	-

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

47.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note to the Annual Financial Statements.

47.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 23 to the Annual Financial Statements.

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

11 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2012

Reconciliation of Carrying Value

Reconciliation of Carrying Value			Cost				Accumulated Depreciation					Carrying Value	
	Opening Balance R	B/F Adjustments on Cost Note 32.05	Additions R	Work-In- Progress R	Write-off R	Transfer to Inventory R	Closing Balance R	Opening Balance R	B/F Adjustments on Depreciation Note 32.05	Depreciation Charge R	Write-off R	Closing Balance R	R
Land and Buildings	28 786 442	-	-	1 685	78 861	-	28 709 267	395 254	-	70 736	35 049	430 941	28 278 326
Land	26 878 339	-	-	-	-	-	26 878 339	-	-	-	-	-	26 878 339
Buildings	1 908 103	-	-	1 685	78 861	-	1 830 928	395 254	-	70 736	35 049	430 941	1 399 987
Infrastructure	29 601 735	-	1 860 703	233 364	-	-	31 695 802	7 817 539	-	646 214	-	8 463 753	23 232 049
Roads and Streets	2 941 814	-	389 329	41 466	-	-	3 372 610	883 837	-	121 214	-	1 005 051	2 367 559
Security Measures	238 508	-	-	-	-	-	238 508	7 637	-	12 303	-	19 940	218 568
Sewerage Mains and Purification	3 574 625	-	28 448	41 466	-	-	3 644 539	792 776	-	74 973	-	867 749	2 776 789
Electricity mains	3 856 750	-	-	41 466	-	-	3 898 216	1 154 359	-	79 905	-	1 234 264	2 663 952
Water Mains & Purification	18 990 038	-	1 442 926	108 966	-	-	20 541 930	4 978 930	-	357 819	-	5 336 749	15 205 180
Community Assets	9 826 705	-	385 507	116 297	-	-	10 328 510	1 136 716	-	278 513	-	1 415 229	8 913 281
Libraries	-	-	-	85 306	-	-	85 306	-	-	-	-	-	85 306
Recreation Grounds	6 342 735	-	-	-	-	-	6 342 735	706 571	-	138 998	-	845 569	5 497 166
Fire, Safety and Emergency	59 222	-	-	-	-	-	59 222	11 698	-	8 796	-	20 494	38 728
Clinics and Hospitals	3 424 748	-	385 507	30 992	-	-	3 841 248	418 446	-	130 720	-	549 167	3 292 081
Leased Assets	99 990	-	-	-	-	-	99 990	11 666	-	19 998	-	31 664	68 326
Office Equipment	99 990	-	-	-	-	-	99 990	11 666	-	19 998	-	31 664	68 326
Other Assets	6 574 437	-	1 013 780	-	458 559	-	7 129 658	2 901 465	-	1 010 719	323 259	3 588 925	3 540 733
Landfill Sites	2 661 186	-	447 690	-	-	-	3 108 876	1 140 508	-	492 092	-	1 632 600	1 476 276
Office Equipment	317 829	-	61 062	-	19 781	-	359 109	139 456	-	52 242	13 806	177 892	181 218
Furniture and Fittings	258 667	-	134 385	-	7 113	-	385 940	87 571	-	24 523	6 309	105 786	280 154
Bins and Containers	278	-	-	-	-	-	278	133	-	40	-	173	105
Emergency equipment	10 207	-	-	-	-	-	10 207	5 845	-	1 454	-	7 299	2 908
Motor Vehicles	2 465 183	-	135 562	-	403 987	-	2 196 757	1 281 528	-	310 511	292 994	1 299 044	897 713
Plant and Equipment	494 665	-	145 544	-	22 415	-	617 793	202 330	-	72 551	8 646	266 236	351 558
Computer Equipment	366 423	-	89 537	-	5 263	-	450 697	44 093	-	57 307	1 504	99 896	350 802
	74 889 310	-	3 259 990	351 346	537 420	-	77 963 227	12 262 639	-	2 026 181	358 308	13 930 512	64 032 715

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

30 JUNE 2011

Reconciliation of Carrying Value	Cost						Accumulated Depreciation						Carrying Value
	Opening Balance R	B/F Adjustments on Cost Note 32.05	Additions R	Work-In- Progress	Write-off R	Transfer to Inventory	Closing Balance R	Opening Balance R	B/F Adjustments on Depreciation Note 32.05	Depreciation Charge R	Write-off R	Closing Balance R	R
Land and Buildings	28 905 064	(103 000)	-	-	15 622	-	28 786 442	252 786	76 417	71 149	5 098	395 254	28 391 189
Land	26 878 339	-	-	-	-	-	26 878 339	-	-	-	-	-	26 878 339
Buildings	2 026 725	-103 000	-	-	15 622	-	1 908 103	252 786	76 417	71 149	5 098	395 254	1 512 850
Infrastructure	20 834 107	-	735 049	8 281 912	2 461	13 507	29 835 099	7 332 116	-	487 884	2 461	7 817 539	22 017 560
Roads and Streets	2 341 122	-	510 289	146 160	784	13 507	2 983 280	788 192	-	96 428	784	883 837	2 099 443
Security Measures	20 121	-	218 386	-	-	-	238 508	5 763	-	1 873	-	7 637	230 871
Sewerage Mains and Purification	3 575 980	-	-	40 111	-	-	3 616 091	718 593	-	74 183	-	792 776	2 823 315
Electricity mains	3 858 106	-	-	40 111	-	-	3 898 216	1 068 255	6 205	79 899	-	1 154 359	2 743 857
Water Mains & Purification	11 038 778	-	6 373	8 055 530	1 677	-	19 099 004	4 751 312	(6 205)	235 501	1 677	4 978 930	14 120 074
Community Assets	9 809 431	103 000	-	294 580	295 000	-	9 912 011	1 234 266	(76 417)	273 867	295 000	1 136 716	8 775 295
Libraries	-	-	-	85 306	-	-	85 306	-	-	-	-	-	85 306
Recreation Grounds	6 342 735	-	-	-	-	-	6 342 735	567 573	-	138 998	-	706 571	5 636 164
Fire, Safety and Emergency	59 222	-	-	-	-	-	59 222	2 903	-	8 796	-	11 698	47 524
Clinics and Hospitals	3 407 474	103 000	-	209 274	295 000	-	3 424 748	663 790	(76 417)	126 073	295 000	418 446	3 006 302
Leased Assets	114 399	-	99 990	-	114 399	-	99 990	110 586	-	11 666	110 585	11 666	88 324
Office Equipment	114 399	-	99 990	-	114 399	-	99 990	110 586	-	11 666	110 585	11 666	88 324
Other Assets	6 260 634	1 736	342 314	-	30 247	-	6 574 437	2 062 377	1 565	848 382	10 859	2 901 465	3 672 973
Landfill Sites	2 673 267	-	-	-	12 081	-	2 661 186	762 805	-	380 773	3 071	1 140 508	1 520 678
Office Equipment	280 156	-	48 375	-	10 702	-	317 829	100 322	-	45 678	6 544	139 456	178 373
Furniture and Fittings	234 079	1 736	22 851	-	-	-	258 667	66 116	274	21 182	-	87 571	171 095
Bins and Containers	224	-	54	-	-	-	278	96	-	37	-	133	145
Emergency equipment	10 207	-	-	-	-	-	10 207	4 391	-	1 454	-	5 845	4 362
Motor Vehicles	2 465 183	-	-	-	-	-	2 465 183	977 972	-	303 556	-	1 281 528	1 183 655
Plant and Equipment	396 861	-	97 804	-	-	-	494 665	147 220	1 291	53 819	-	202 330	292 334
Computer Equipment	200 658	-	173 229	-	7 465	-	366 423	3 455	-	41 882	1 244	44 093	322 330
	65 923 635	1 736	1 177 352	8 576 492	457 729	13 507	75 207 980	10 992 130	1 565	1 692 947	424 003	12 262 639	62 945 341

INSERT ACCOUNTING POLICY

**APPENDIX A - Unaudited
KHAJ-MA MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2011	Redeemed written off during the period	Balance at 30 JUNE 2012
ANNUITY LOANS						
ABSA	14.00%	SR Pofadder	30/06/2012	21 892	21 892	-
DBSA	5.00%	NC102355.1.	29/02/2012	377 994	377 994	-
Total Annuity Loans				399 885	399 885	-
LEASE LIABILITY						
Capitalised Lease Liability	10.72%	MP 2851 Copier	30/11/2016	54 529	10 199	44 330
Capitalised Lease Liability	11.02%	MP 2000 Copier	30/11/2016	36 378	6 766	29 612
Total Lease Liabilities				90 907	16 965	73 942
TOTAL EXTERNAL LOANS				490 792	416 850	73 942

APPENDIX B - Unaudited
KHAI-MA MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012
GENERAL FINANCE STATISTICS CLASSIFICATION

	Cost/Revaluation				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions (Incl Work-in-progress)	Write-off	Closing Balance	Opening Balance	Additions	Write-off	Closing Balance	
Executive & Council	1 286 175	171 084	46 665	1 410 594	386 556	172 077	26 213	532 420	878 174
Corporate Services	26 910 163	-	-	26 910 163	13 362	1 336	-	14 698	26 895 465
Community & Social Services	8 084 002	773 930	411 894	8 446 037	2 131 736	565 244	294 356	2 402 623	6 043 414
Sport & Recreation	6 460 976	-	-	6 460 976	713 447	143 336	-	856 783	5 604 193
Waste Management	2 749 951	486 950	78 861	3 158 040	1 173 652	496 968	35 049	1 635 571	1 522 469
Waste Water Management	3 635 947	28 448	-	3 664 395	802 043	75 635	-	877 678	2 786 718
Road Transport	2 996 254	389 329	-	3 385 583	886 864	123 809	-	1 010 673	2 374 910
Water	19 178 996	1 442 926	-	20 621 922	4 994 237	366 978	-	5 361 215	15 260 707
Electricity	3 905 515	-	-	3 905 515	1 160 742	80 798	2 690	1 238 851	2 666 665
	75 207 980	3 292 667	537 420	77 963 227	12 262 639	2 026 181	358 308	13 930 512	64 032 715

**APPENDIX C - Unaudited
KHAI-MA MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30
JUNE 2012
GENERAL FINANCE STATISTIC CLASSIFICATIONS**

	2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
Executive & Council	184 899	(3 287 998)	(3 103 099)
Budget & Treasury Office	4 725 060	(7 587 076)	(2 862 015)
Planning & Development	38 911	(294 387)	(255 476)
Community & Social Services	1 354 422	(2 701 948)	(1 347 526)
Housing	6 575 513	(7 310 429)	(734 916)
Public Safety	-	(32 835)	(32 835)
Sport & Recreation	4 391	(291 675)	(287 284)
Waste Management	1 254 782	(3 140 472)	(1 885 690)
Waste Water Management	756 401	(1 970 325)	(1 213 925)
Road Transport	33 054	(751 467)	(718 413)
Water	7 308 400	(7 200 489)	107 911
Electricity	3 964 146	(4 450 143)	(485 997)
Other	10 921 000	(259 814)	10 661 186
Total	37 120 979	(39 279 058)	(2 158 079)

APPENDIX D - Unaudited
KHAI-MA MUNICIPALITY
REVENUE AND EXPENDITURE
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2012
GENERAL FINANCE STATISTIC CLASSIFICATIONS

	2012 Actual (R)	2012 Budget (R)	2012 Variance (R)	2012 Variance (%)
REVENUE				
Property taxes	2 044 325	1 541 913	502 412	32.58%
Government Grants and Subsidies - Capital	3 193 507	10 427 000	(7 233 493)	-69.37%
Government Grants and Subsidies - Operating	20 604 770	26 619 850	(6 015 080)	-22.60%
Public Contributions and Donations	285 261	246 390	38 871	15.78%
Fines	17 155	20 000	(2 845)	-14.23%
Service Charges	9 188 535	9 201 767	(13 232)	-0.14%
Rental of Facilities and Equipment	129 472	92 500	36 972	39.97%
Interest Earned - external investments	351 442	300 000	51 442	17.15%
Interest Earned - outstanding debtors	854 399	812 840	41 559	5.11%
Licences and Permits	29 353	30 200	(847)	-2.80%
Agency Services	110 457	100 000	10 457	10.46%
Other Income	312 301	352 800	(40 499)	-11.48%
Total Revenue	37 120 979	49 745 260	(12 624 281)	
EXPENDITURE				
Executive & Council	3 287 998	3 401 020	(113 022)	-3.32%
Budget & Treasury Office	7 587 076	6 578 970	1 008 106	15.32%
Planning & Development	294 387	366 140	(71 753)	-19.60%
Community & Social Services	2 701 948	2 617 790	84 158	3.21%
Housing	7 310 429	11 592 620	(4 282 191)	-36.94%
Public Safety	32 835	72 500	(39 665)	-54.71%
Sport & Recreation	291 675	316 530	(24 855)	-7.85%
Waste Management	3 140 472	2 894 830	245 642	8.49%
Waste Water Management	1 970 325	1 639 040	331 285	20.21%
Road Transport	751 467	1 205 090	(453 623)	-37.64%
Water	7 200 489	5 019 740	2 180 749	43.44%
Electricity	4 450 143	4 190 900	259 243	6.19%
Other	259 814	380 000	(120 186)	-31.63%
Total Expenditure	39 279 058	40 275 170	(996 112)	
NET SURPLUS/(DEFICIT) FOR THE YEAR	(2 158 079)	9 470 090	(11 628 169)	

**APPENDIX E - Unaudited
KHAJ-MA MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 30 JUNE 2011	Transfer to Trade Receivables	Restated balance 1 JULY 2011	Contributions during the year	Trade Receivables	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	VAT Recognised as Income	Repaid to NT	Balance 30 JUNE 2012
CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS	R	R	R	R		R	R			R
<u>National Government Grants</u>										
Equitable Share		-	-	10 921 000	-	10 921 000	-	-	-	-
Finance Management Grant	424 223	-	424 223	1 250 000	-	1 679 498	56 272	7 878	-	(69 425)
Municipal Infrastructure Grant	4 676 263	-	4 676 263	8 840 000	-	99 853	2 231 624	266 554	1 673 308	9 244 924
Municipal System Improvement Grant	616 265	-	616 265	790 000	-	381 660	27 678	3 875	616 265	376 787
LGSETA	24 751	-	24 751	38 563	-	29 922	-	-	-	33 392
EPWP (Expanded Public Works Program)	(81 343)	81 343	-	-	-	-	-	-	-	-
Total National Government Grants	5 660 160	81 343	5 741 502	21 839 563	-	13 111 933	2 315 574	278 307	2 289 573	9 585 678
<u>Provincial Government Grants</u>										
Department of Housing and Local Government-Operating	64 318	-	64 318	-	-	-	-	-	-	64 318
Department Sport Arts and Culture - Library Development	9 931	-	9 931	416 000	-	262 756	27 132	1 239	-	134 805
Provincial Infrastructure Grant	6 750	-	6 750	-	-	-	-	-	-	6 750
COHSTRA: Project NALA	176 089	-	176 089	-	-	176 089	-	-	-	-
Department Environmental Affairs and Conservation	41 764	-	41 764	-	-	-	-	-	-	41 764
Department of Housing and Local Government - Housing	(255 332)	-	(255 332)	6 478 994	-	5 754 893	-	-	-	468 769
Housing : 30 NAMDEV Houses	-	-	-	820 620	-	820 620	-	-	-	-
Total Provincial Government Grants	43 521	-	43 521	7 715 614	-	7 014 358	27 132	1 239	-	716 406
<u>District Municipality Grants</u>										
Namakwa District Municipality - Capital	405 138		405 138	599 180	471 617	524 892	804 389	-	-	146 654
Total District Municipality Grants	405 138	-	405 138	599 180	471 617	524 892	804 389	-	-	146 654
<u>Other Grant Providers</u>										
Namakwa Diamond Fund Trust	9 181	-	9 181	-	-	-	-	-	-	9 181
Total District Municipality Grants	9 181	-	9 181	-	-	-	-	-	-	9 181
Total	6 117 999	81 343	6 199 342	30 154 357	471 617	20 651 183	3 147 095	279 546	2 289 573	10 457 919